

**REPORT OF THE AUDIT OF THE  
LETCHER COUNTY  
CLERK**

**For The Year Ended  
December 31, 2007**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LETCHER COUNTY CLERK**

**For The Year Ended  
December 31, 2007**

The Auditor of Public Accounts has completed the Letcher County Clerk's audit for the year ended December 31, 2007. Based upon the audit work performed, the financial statement presents fairly in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$88,574 from the prior year, resulting in excess fees of \$103,674 as of December 31, 2007. Revenues increased by \$491,134 from the prior year and expenditures increased by \$402,560.

#### **Debt Obligations:**

The Letcher County Clerk's office was committed to lease agreements for a copier, software, and postage meter as of December 31, 2007. Future principal and interest payments of \$31,062 are needed to meet these obligations.

#### **Deposits:**

The County Clerk's deposits as of April 3, 2007, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$88,291

The County Clerk's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the County Clerk's deposits in accordance with the security agreement.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jim Ward, Letcher County Judge/Executive  
The Honorable Winston Meade, Letcher County Clerk  
Members of the Letcher County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the County Clerk of Letcher County, Kentucky, for the year ended December 31, 2007. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the County Clerk for the year ended December 31, 2007, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 12, 2008 on our consideration of the Letcher County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Jim Ward, Letcher County Judge/Executive  
The Honorable Winston Meade, Letcher County Clerk  
Members of the Letcher County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Letcher County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

May 12, 2008



LETCHER COUNTY  
WINSTON MEADE, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2007

Revenues

State Grant		\$	6,505
State Fees For Services			12,565
Fiscal Court			4,114
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	944,723	
Usage Tax		1,750,458	
Tangible Personal Property Tax		1,830,273	
Lien Fees		15,154	
Other-			
Fish and Game Licenses		5,341	
Marriage Licenses		6,780	
Veteran Fund		315	
Deed Transfer Tax		26,806	
Delinquent Tax		805,608	5,385,458
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		23,532	
Real Estate Mortgages		25,522	
Chattel Mortgages and Financing Statements		71,504	
Powers of Attorney		1,897	
Affordable Housing Trust		29,058	
All Other Recordings		32,757	
Charges for Other Services-			
Candidate Filing Fees		50	
Copywork		39,616	223,936
Other:			
Overpayments		25,783	
Miscellaneous		6,735	32,518
Interest Earned			5,037
Total Revenues			5,670,133

The accompanying notes are an integral part of this financial statement.

LETCHER COUNTY  
 WINSTON MEADE, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2007  
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	722,543	
Usage Tax		1,697,842	
Tangible Personal Property Tax		677,353	
Licenses, Taxes, and Fees-			
Fish and Game Licenses		5,093	
Delinquent Tax		95,174	
Legal Process Tax		23,923	\$ 3,221,928

Payments to Fiscal Court:

Tangible Personal Property Tax	179,978	
Delinquent Tax	93,240	
Deed Transfer Tax	25,465	298,683

Payments to Other Districts:

Tangible Personal Property Tax	900,242	
Delinquent Tax	409,624	1,309,866

Payments to Sheriff 9,565

Payments to County Attorney 124,660

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	253,765
Part-Time Salaries	17,346
Contracted Services	500

Employee Benefits-

Employer's Share Social Security	25,815
Employer's Share Retirement	49,971
Employer's Paid Health Insurance	29,049

Contracted Services-

Bond	266
Housing Trust Fund	29,058
Preparing Tax Bills	7,508

The accompanying notes are an integral part of this financial statement.

LETCHER COUNTY  
 WINSTON MEADE, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2007  
 (Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay (Continued)

Materials and Supplies-			
Office Supplies	\$	25,881	
Other Charges-			
Utilities		4,654	
Conventions and Travel		2,296	
Dues		600	
Postage		7,377	
Lease Payments		11,977	
Miscellaneous		743	
Refunds		32,123	
Libraries and Archives Grant		6,505	
Capital Outlay-			
Office Equipment		13,139	\$ 518,573
Total Expenditures			<u>\$ 5,483,275</u>
Net Revenues			186,858
Less: Statutory Maximum			<u>76,197</u>
Excess Fees			110,661
Less: Expense Allowance		3,600	
Training Incentive Benefit		<u>3,387</u>	<u>6,987</u>
Excess Fees Due County for 2007			103,674
Payment To Fiscal Court - January 18, 2008			<u>100,000</u>
Balance Due Fiscal Court			<u><u>\$ 3,674</u></u>

The accompanying notes are an integral part of this financial statement.

LETCHER COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the County Clerk as determined by the audit. KRS 64.152 requires the County Clerk to settle excess fees with the fiscal court by March 15 each year.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2007 services
- Reimbursements for 2007 activities
- Payments due other governmental entities for December tax and fee collections and payroll
- Payments due vendors for goods or services provided in 2007

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LETCHER COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2007  
 (Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent for the first six months and 16.17 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Letcher County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The Letcher County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of April 3, 2007, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the County Clerk's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured      \$88,291

LETCHER COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2007  
(Continued)

Note 4. Grant

The Letcher County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$6,505. Funds totaling \$6,505 were expended during the year, leaving a \$0 balance as of December 31, 2007.

Note 5. Lease Agreements

Copier

The County Clerk's office was committed to a lease agreement with Xerox for a copier. The terms of the lease were 60 monthly payments of \$413 with the lease maturing June 2008. The Clerk's office made payments of \$1,239 during 2007. On April 18, 2007, the Clerk's office ended the lease and entered into two new copier lease agreements. The terms of the leases are 60 monthly payments of \$492 with the leases maturing April 2012. The Clerk's office made payments of \$4,428 during 2007 on these leases, leaving a balance of \$25,092 as of December 31, 2007.

Software

The County Clerk's office entered into a lease agreement with Software Management, Inc. on June 15, 2003 for use of the CCLIX Software. The terms of the lease are 60 monthly payments of \$475 plus a \$25 annual service fee with the lease maturing June 14, 2008. The Clerk's office made payments of \$5,725 during 2007, leaving a balance of \$2,850 as of December 31, 2007.

Postage Meter

The County Clerk's office entered into a lease agreement with Pitney Bowes on July 25, 2006 for the use of a postage meter. The terms of the lease are 20 quarterly payments of \$195 with the lease maturing July 2011. The Clerk's office made payments of \$585 during 2007, leaving a balance of \$3,120 as of December 31, 2007.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







C R I T L U A L L E N  
A U D I T O R O F P U B L I C A C C O U N T S

The Honorable Jim Ward, Letcher County Judge/Executive  
The Honorable Winston Meade, Letcher County Clerk  
Members of the Letcher County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Letcher County Clerk for the year ended December 31, 2007, and have issued our report thereon dated May 12, 2008. The County Clerk's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Letcher County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Letcher County Clerk's financial statement for the year ended December 31, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Letcher County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

May 12, 2008

